



City of San Marcos

630 East Hopkins
San Marcos, TX 78666

Workshop Agenda - Final City Council

Wednesday, February 13, 2019

4:00 PM

City Council Chambers

630 E. Hopkins - Budget Policy Workshop

I. Call To Order

II. Roll Call

1. Receive a Staff presentation and hold discussion regarding the Fiscal Year 2019-2020 Budget Policy for the City of San Marcos, and provide direction to the City Manager.

III. Adjournment.

POSTED ON FRIDAY, FEBRUARY 8, 2019 @ 3:00PM

JAMIE LEE CASE, TRMC, CITY CLERK

Notice of Assistance at the Public Meetings

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City of San Marcos

630 East Hopkins
San Marcos, TX 78666

Legislation Text

File #: ID#19-002, **Version:** 1

AGENDA CAPTION:

Receive a Staff presentation and hold discussion regarding the Fiscal Year 2019-2020 Budget Policy for the City of San Marcos, and provide direction to the City Manager.

Meeting date: February 13, 2019

Department: Finance

Amount & Source of Funding

Funds Required: Click or tap here to enter text.

Account Number: Click or tap here to enter text.

Funds Available: Click or tap here to enter text.

Account Name: Click or tap here to enter text.

Fiscal Note:

Prior Council Action: Click or tap here to enter text.

City Council Strategic Initiative: [Please select from the dropdown menu below]

Choose an item.

Choose an item.

Choose an item.

Comprehensive Plan Element (s): [Please select the Plan element(s) and Goal # from dropdown menu below]

- ☐ Economic Development - Choose an item.
- ☐ Environment & Resource Protection - Choose an item.
- ☐ Land Use - Choose an item.
- ☐ Neighborhoods & Housing - Choose an item.
- ☐ Parks, Public Spaces & Facilities - Choose an item.
- ☐ Transportation - Choose an item.
- ☐ Not Applicable

Master Plan: [Please select the corresponding Master Plan from the dropdown menu below (if applicable)]

Choose an item.

Background Information:

Per city charter budget policy workshop must be held before February 28th each year. The budget policy serves as the framework for developing the budget document for the next fiscal year. This is the first step in the process which culminates with the adoption of the budget in September.

Council Committee, Board/Commission Action:

Click or tap here to enter text.

Alternatives:

Click or tap here to enter text.

Recommendation:

Click or tap here to enter text.



Budget Policy FY2020



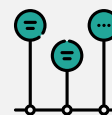
Agenda



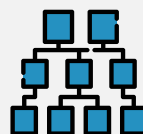
City Manager Introduction



Budget Process & Timeline



Economic Indicators



Strategic Initiatives



Key Forecast Assumptions



Policy Considerations & Budget Implications

Budget Process & Timeline

Budget Development



Set strategic initiatives for the coming year



Formulate policy statement to guide city manager during budget preparation



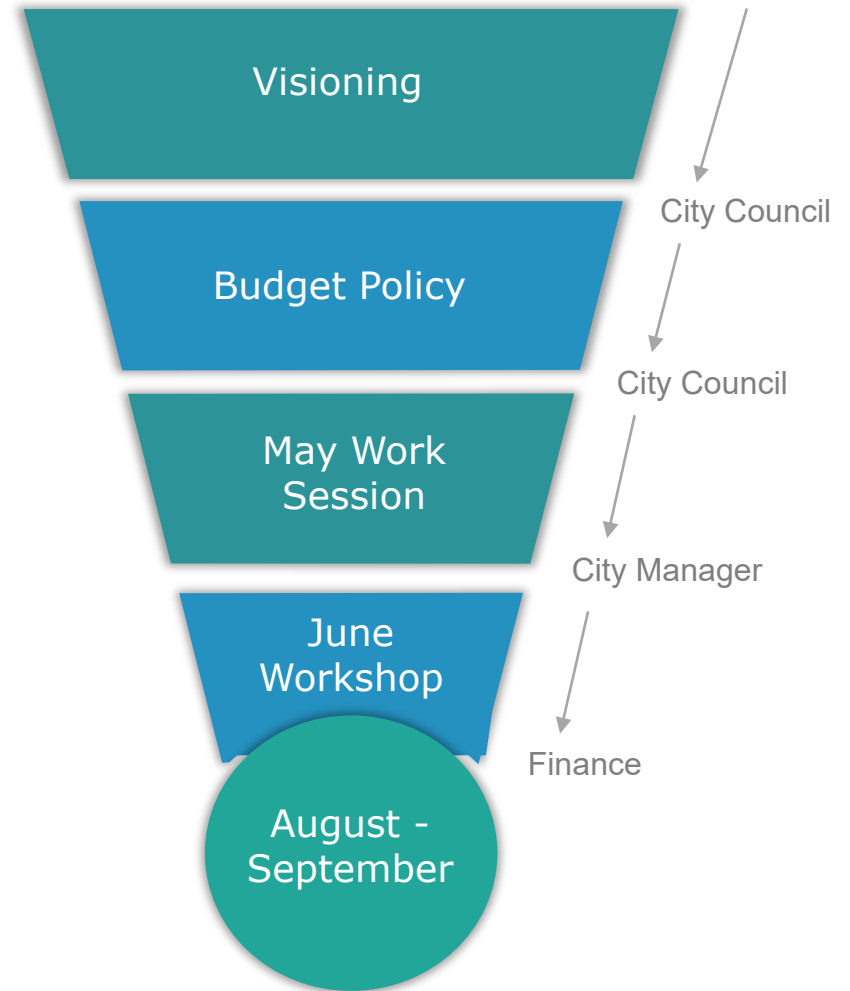
Deliver budget capacity and trends



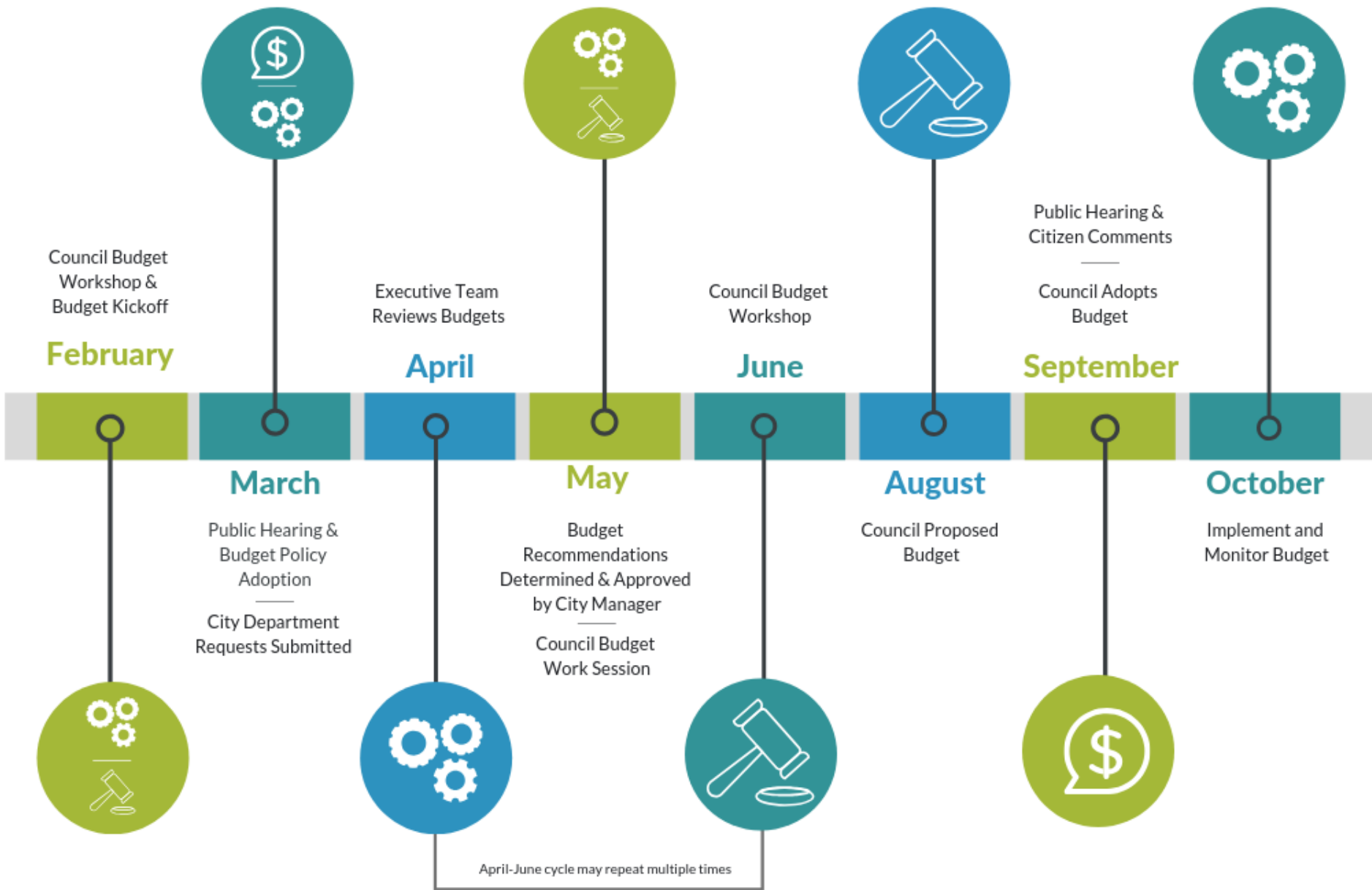
Deliver budgeted programs, revenues, and expenditure philosophy



Deliver proposed budget of all general budget items by fund type



Once City Council formulates a budget policy the City Manager works with staff to develop the budget document



Conducted by City Staff

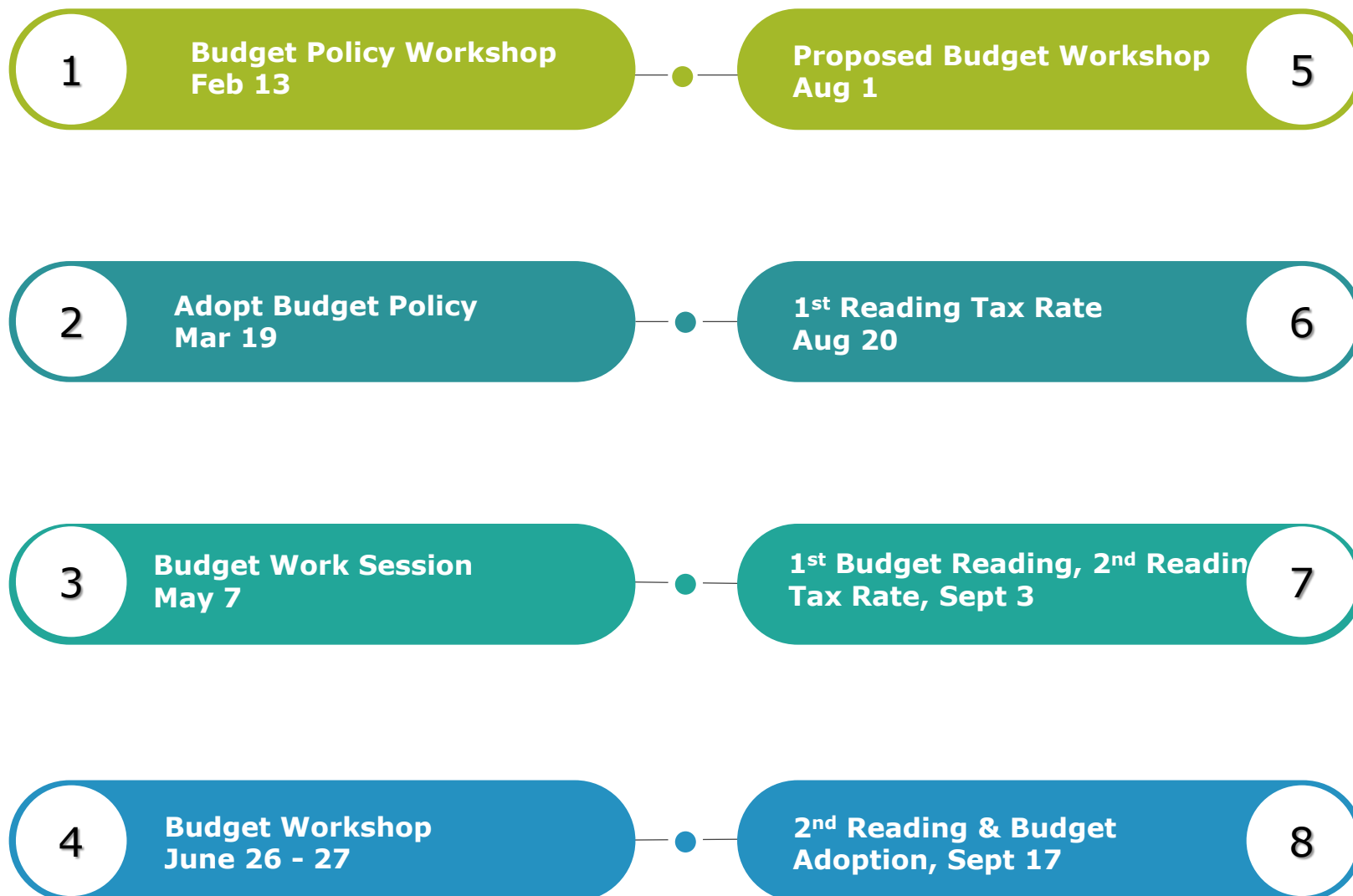


Conducted by City Council



Includes Public Hearing

Budget Timeline



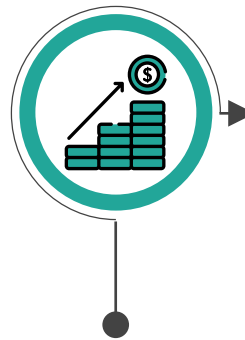
Economic Indicators



Unemployment
December 2018



Wages
year-over-year



Hourly Rate
Private Sector



Home Prices
year-over-year



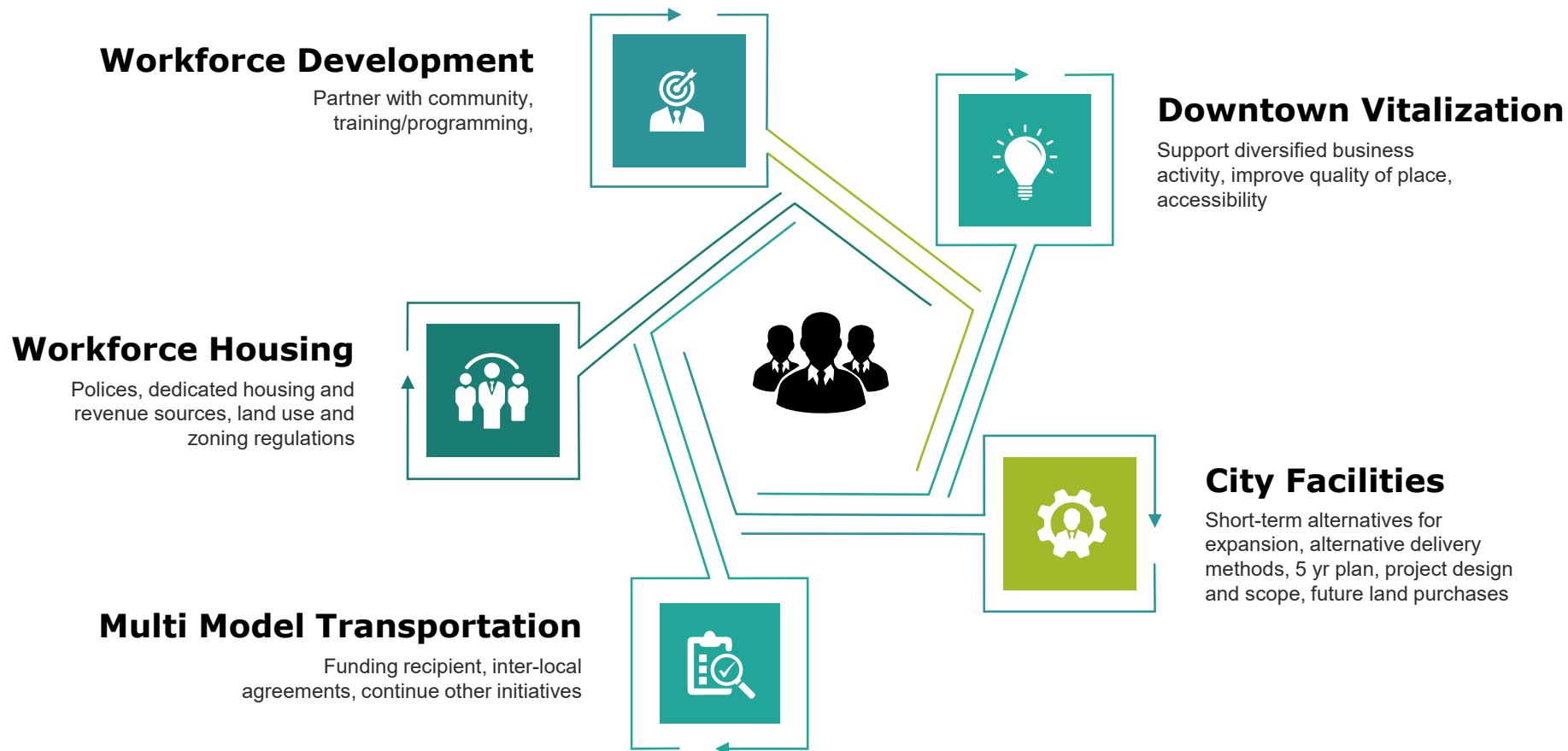
CPI
December 2018

Federal	3.7%	↑ 3.1%	\$27.24		↑ 2.2%
State	3.7%	↑ 0.8%	\$26.05	↑ 2.2%	
Regional	2.8%	↑ 1.5%	\$29.47	↑ 4.3%	



As more community members hold jobs at higher wages, an increasing proportion of their wages are used for housing as home prices continue to increase.

2019 Strategic Initiatives



Key Forecast Assumptions

General Fund Revenue

Forecast Assumptions



Analyze trends over multiple years



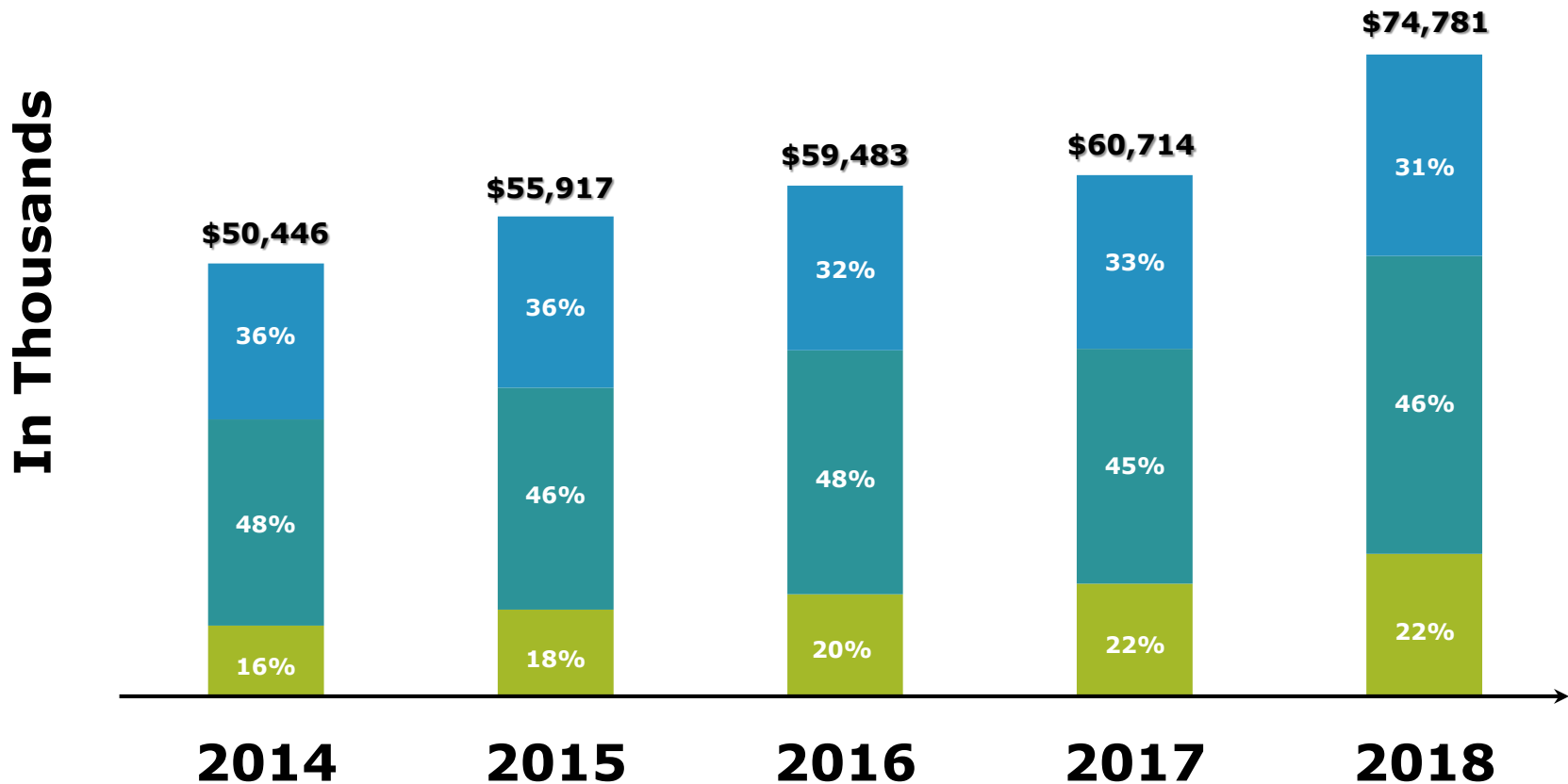
Utilize conservative forecasting



Amend budget during fiscal year if revenues deviate from budget

General Fund Revenue

➤ Property Tax ➤ Sales Tax ➤ Other Fees



* FY 2018 was the first year for Best Buy Call Center sales tax collection of \$7M

General Fund Revenue

Property Tax



Double digit % growth in appraised valued for the past 4 years with a combination of new construction and increased in existing values



Large portion of high growth areas have an economic development or tax increment incentive



Forecast model in progress to provide more detailed information

General Fund Revenue

Operating capacity generated by bond revenue



Capacity for FY2020 \$1.5M



\$1M – Fire Squad added in FY19 budget to staff new fire station upon completion



Remaining \$500K reserved for bond project expenses or bond debt defeasance

General Fund Revenue

Sales Tax



51%

Base sales tax collections have experienced a 1% average growth over the last 12 months

26%

Outlet Malls showing favorable trend:

- Total collections have exceeded pre Oct 2016 levels
- Positive growth since Sept 2017
- 7% average growth over last 12 months

23%

Best Buy Call Center exceeding forecast:

- Collection for the first 2 months of the fiscal year exceeded prior year by \$900K or 70%
- FY18 collections retained totaled \$1.8M

Initiatives in Process

Policies impacting revenue and fund allocation



User Fee Policy



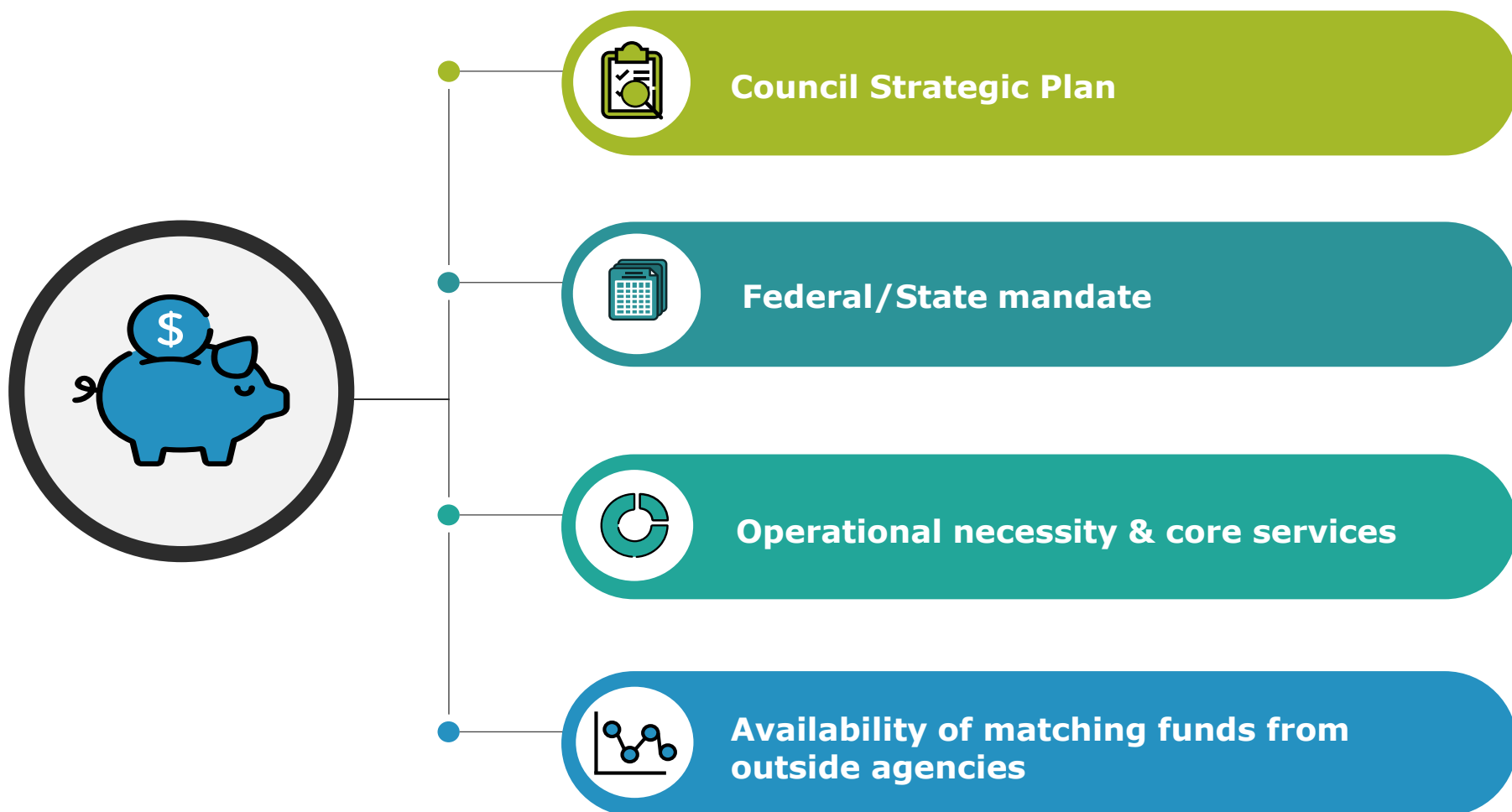
City Special Events Policy



Social Services & Youth Initiatives Policy

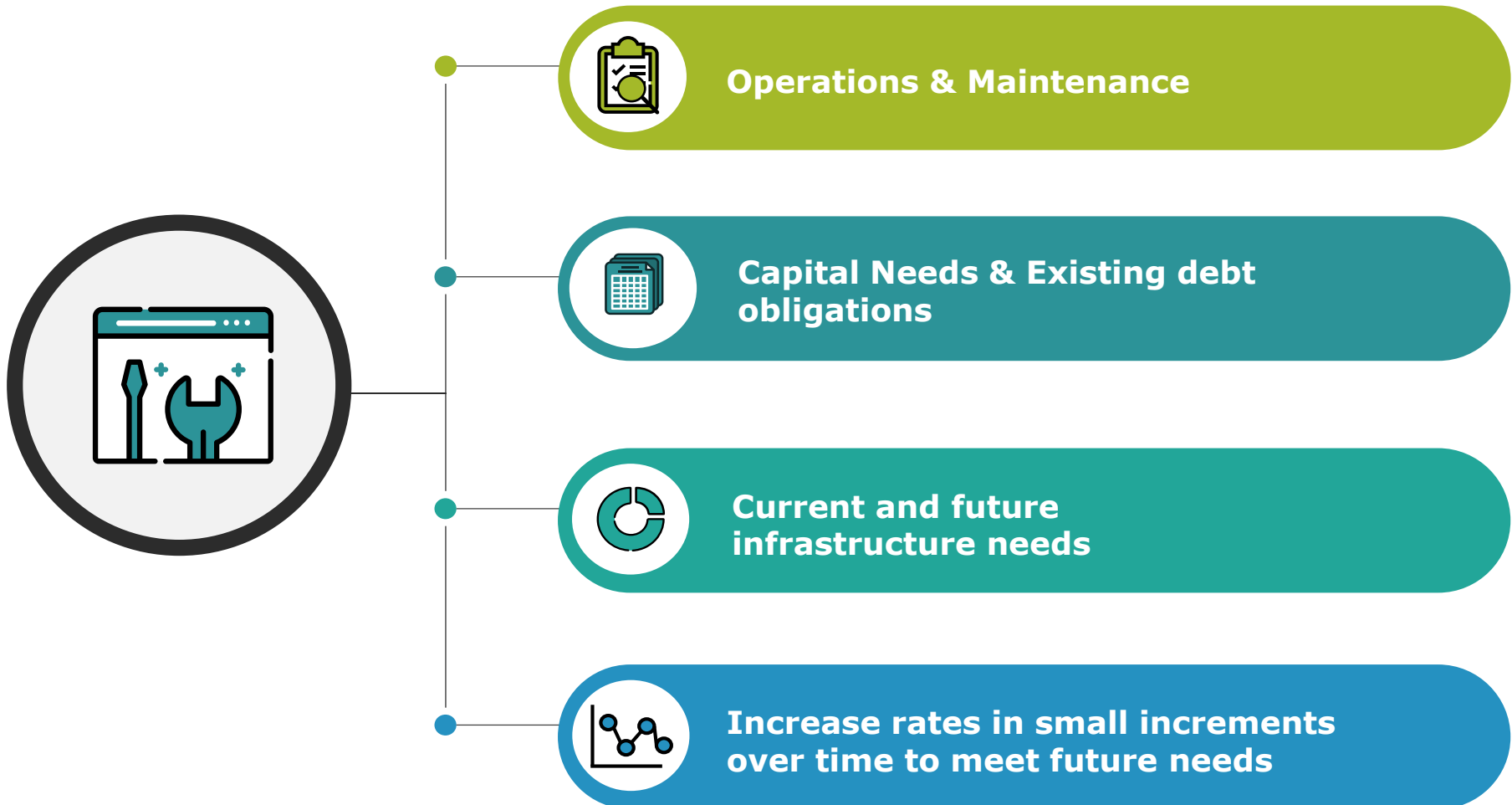
General Fund Budget Requests

Prioritization of department requests for additional resources



Enterprise Fund Revenue

Model rates over a multi-year period to determine required adjustments



Other Forecasting Assumptions



Hotel occupancy remains stable while room rates are lagging



Stormwater rate study complete. Proposed rates to be delivered during budget process



Electric & Water/Wastewater franchise fees to return to 7%



Policy Considerations

Budget Implications

Policy Considerations



Strategic Initiatives

- Funding goals
- Revenue sources



Increase Live Outcomes

- Gathering data
- Determining needs
- Address core services



Fund Balance

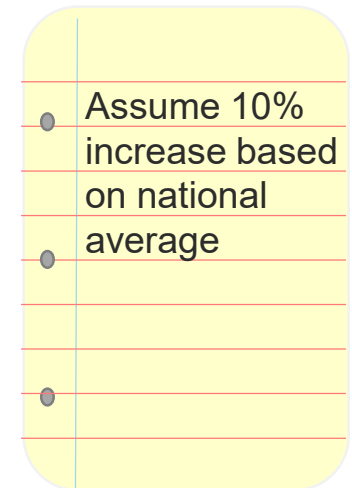
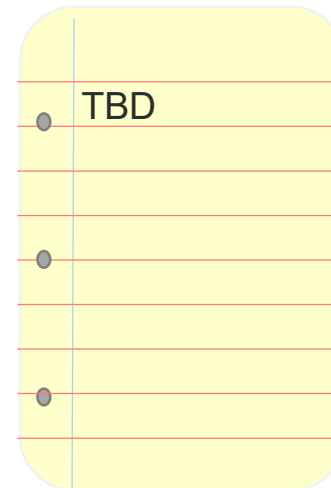
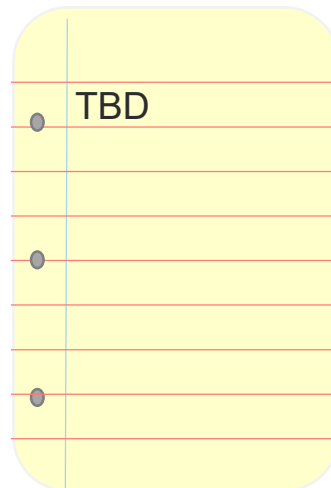
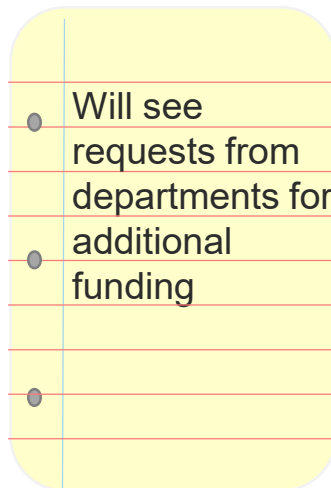
- Maintain minimum fund balance of 25%



HB/SB 2 Rollback Rate

- If implemented in prior FY the impact could have been \$1M in reduced revenue

Policy Considerations



Policy Considerations



Transit Operations

- Funding goals
- Revenue sources
-
-
-



Staffing needs

- Determine through department budget request for additional resources
-
-



Parking Management

- Funding goals
- Revenue sources
-
-



CIP Capacity

- City Facility Projects
- Cape's Dam Infrastructure needs
-

Council Decisions



Over 65 Property Tax Freeze

- Tax bills will never increase, Tax freeze is permanent,
- Currently offer over 65 exemptions



Economic Development Reserve

- Suspend \$200K funding reserve???



Other Considerations

- Council to provide

Historical Residential Rates

	2015	2016	2017	2018	2019
Average Home Value	129,156	140,250	153,724	168,757	183,510
Property Tax	684.79	743.61	815.04	1,036.00	1,126.57
Electric Utility* Residential kWh	111.48	111.48	111.48	111.48	111.48
Water	267.00	280.32	294.36	309.12	324.48
Wastewater	614.88	621.12	633.6	646.2	659.40
Drainage	89.16	99.84	109.80	126.24	145.20
Resource Recovery	233.76	269.28	283.32	292.20	301.92
Community Enhancement Fee		1.00	1.00	1.00	1.50
Total Annual Cost	2,001.07	2,137.65	2,259.60	2,533.24	2,687.05

*Does not include the cost of power or energy charge that fluctuates monthly based on market prices

Thank You



Bert Lumbreras

City Manager



Stephanie Reyes

Chief of Staff



Heather Hurlbert

Director of Finance



Melissa Neel

Assistance Director of Finance

Homestead Exemption + Over 65 Freeze

- Current programs in place

	Exemption Amount	Number of Participants	Exempt Property Value	Total Tax Reduction
Over 65	\$25,000	1,680	\$40,409,000	\$248,071
Disabled	\$25,000	100	\$3,880,000	\$23,800
100% Disabled Vet	100%	88	\$18,699,000	\$114,800
Total		1,769	\$62,988,000	\$386,671

- Homestead Exemption
 - 4052 taxpayers currently have exemption from another entity
 - Impact of 5K exemption- \$128,000 in reduced tax revenue
 - Impact of 10K exemption- \$256,000 in reduced tax revenue
 - Impact of 15K exemption- \$384,000 in reduced tax revenue

Homestead Exemption + Over 65 Freeze

Over 65 Freeze

- Tax amount paid is frozen

 - No increase if tax rate is increased

 - No increase if appraised value increases

 - Taxes would decrease if value or tax rate decrease generates a lower tax bill

 - Tax payers must apply for the freeze

 - Tax amount paid would increase if improvements are made on the residence

- Once adopted it cannot be reversed

- Estimated **\$313M (6% of total assessed value)** in property owned by citizens who currently have the over 65 exemption

- Appraisal district/tax collector advises to allow a year to properly implement

 - If adopted, recommend implementing for tax year 2020



MEMO

To: The Honorable Mayor and City Council

FROM: Bert Lumbreras, City Manager

DATE: February 8, 2019

RE: Budget Policy Workshop

As you are aware, the Fiscal Year 2019-2020 Budget Policy Workshop is scheduled for Wednesday, February 13th. I am looking forward to this year's budget process since there are many challenges facing our community and the organization, especially in how we continue to make progress toward achieving the FY 2018-2019 strategic initiatives as well as the new ones Council developed during your recent Visioning session.

As a reminder, next week's workshop is required by the City's Charter which requires the workshop be held before February 27th each year. The purpose of the Budget Policy is for the Council to formulate a policy statement to serve as a guiding document to be used by the City Manager as direction during the preparation of the proposed budget. In addition, this workshop provides an opportunity for Council to bring forward programmatic and service changes early in the budget process. The Budget Policy shall be adopted after a public hearing by March 31st each year.

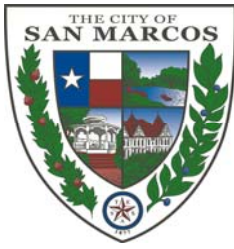
In summary, the workshop will provide consensus from the Council to address many areas for consideration during the budget process and how best to serve our community. This shall be accomplished through support of core services, programs, and strategic initiatives to develop a balanced budget.

There will be budget workshops on May 7th, June 26-27th, and August 1st. Each workshop will focus on specific challenges seeking council direction and an update on progress toward a balanced budget for adoption in September.

I look forward to working with you throughout the budget development process and have a budget that not only meets core basic City services but also paves the way toward progress on the Council's existing and new strategic initiatives.

The presentation and supporting documents will frame the discussion for the workshop. Your input is essential in assisting me to develop a budget that closely reflects your community priorities.

Please let me know if you have questions.



City of San Marcos

2019 Proposed Budget Policy Statement

I. Fund Balance

- General Fund: Maintain 25% (of recurring operating expenses).
- Water/ Wastewater Fund: Maintain 25% (of recurring operating expenses).
- Drainage Utility Fund: Maintain a range of 20% (of recurring operating expenses).
- Electric Utility Fund: Minimum of the equivalent of 60 days of operating expenses including purchased power.

II. Revenue

GENERAL FUND

- Property tax rate maintained at 61.39 cents per \$100 of valuation.
- Property values increased based on a conservative trend estimated at 10%.
- Explore impact of providing homestead exemption and an over 65 freeze.
- Base sales tax revenue and revenue generated by the outlet mall will not be increased from the FY18 budget. Revenue generated by Best Buy will include the City's 25% allocation and will be increased by 4% from FY2018. These estimates will be updated as the collection trend indicate.
- Maintain City-owned utility fund franchise fee transfers to the General Fund at 8%.
- Bring forward Community Services fee adjustments based on the results of the cost of service study.
- All other revenues will be budgeted based on historical trends.
- Fees for services will be increased approximately 2.12% based on the average CPI index for the calendar year 2017.

WATER FUND

- Rate study to determine possible rate increases and structure changes.
- Citizens Utility Advisory Board will make recommendations related to rate structure and future rate adjustments.

ELECTRIC FUND

- Rate study to determine possible rate increases and structure changes. No rate adjustment anticipated.
- Citizens Utility Advisory Board will make recommendations related to rate structure and future rate adjustments.

STORMWATER MANAGEMENT FUND

- Rate study underway and preliminary results and decision points will be presented to Council during budget discussions.
- Proposed rates will be brought forward after the first of the calendar year for adoption.

HOTEL MOTEL FUND

- Revenue budgeted based on conservative trends reflecting new hotel rooms, occupancy rate, and average room rate.

III. Expenditures

All budget requests from outside agencies must be submitted for consideration prior to May 1.

GENERAL FUND

- Funding year 4 of the Meet and Confer agreement with Police and Fire with a 4.5% increase in wages.
- Pursue the goal of funding 4.5% merit and cost of living increase for non-civil service employees.
- Additional personnel will be evaluated through the departmental budget request process.
- Estimated 5% increase in health insurance premium beginning January 1, 2019.
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed.
- Continue the annual \$200,000 contribution to the economic development reserve that is shared equally between General Fund, Water Wastewater Fund, and Electric Fund. The City Manager will review the Special Economic Development Funding Policy during the budget process in order to analyze the policies and potential uses.
- Continue allocation of \$150,000 to fund the existing Youth Services Manager position and youth focused programs identified in the youth master plan. The City Manager will examine structure and cycle of funding.
- Increase allocation for museum funding \$25,000 to \$100,000 with a maximum of \$25,000 per participant.
- Increase Social Services funding levels \$50,000 to \$500,000. The City Manager will examine the structure and funding cycle.

WATER/WASTEWATER FUND

- Pursue the goal of funding 4.5% merit and cost of living increase for non-civil service employees.
- Additional personnel will be evaluated through the departmental budget request process.
- Estimated 5% increase in health insurance premium beginning January 1, 2019.

- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed.
- Continue the annual \$200,000 contribution to the economic development reserve that is shared equally between General Fund, Water Wastewater Fund, and Electric Fund.
- Utility fund transfers to the General Fund budgeted at 8%.

ELECTRIC UTILITY FUND

- Pursue the goal of funding 4.5% merit and cost of living increase for non-civil service employees.
- Additional personnel will be evaluated through the departmental budget request process.
- Estimated 5% increase in health insurance premium beginning January 1, 2019.
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed.
- Continue the annual \$200,000 contribution to the economic development reserve that is shared equally between General Fund, Water Wastewater Fund, and Electric Fund.
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STORMWATER UTILITY FUND

- Pursue the goal of funding 4.5% merit and cost of living increase for non-civil service employees.
- Additional personnel will be evaluated through the departmental budget request process.
- Estimated 5% increase in health insurance premium beginning January 1, 2019.
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed.

HOTEL MOTEL FUND

- Pursue the goal of funding 4.5% merit and cost of living increase for non-civil service employees.
- Funding for special programs remains flat. Organizations can request increases during the budget process for specific programs.

IV. Debt

On April 3rd, a City Council work session will be held to discuss the City's current debt balances, future debt requirements, and the effect on the budget.